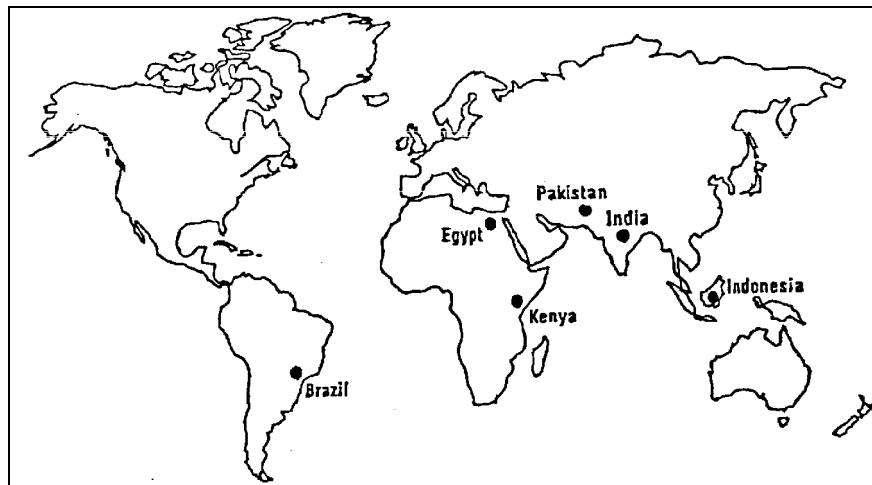


LIBRARY OF CONGRESS

THE COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

FINANCIAL STATEMENTS FOR FISCAL YEAR 1998



**Washington, DC
June 1999**

THE COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

FINANCIAL STATEMENTS FOR FISCAL YEAR 1998

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**THE COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND
FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1998**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION AND OVERVIEW

The mission of the Library of Congress Cooperative Acquisitions Program is to support advanced research and study about all aspects of the less-developed areas of the world, through the acquisition and distribution of primary research materials published in more than 40 developing nations. These materials are not otherwise reliably available in the United States. Because of nearly forty years of participation in this program, the research libraries of the nation's most prestigious universities have developed unequalled collections which support advanced research about the developing world. In fiscal year 1998, the Library supplied more than 400,000 individual publications to more than 80 U.S. institutions of higher learning and academic institutions abroad.

HISTORY

In 1958, Congress approved Public Law 83-480, Section 104n, which amended the Agricultural Trade Development and Assistance Act of 1954 (popularly known as Public Law 480) and authorized the Librarian of Congress to use foreign currencies that accrued to the government in connection with the sales of agricultural commodities to finance "the acquisition of books, periodicals, and other materials...of cultural or educational significance...and the deposit thereof in libraries and research centers in the United States specializing in the areas to which they relate."

This amendment led to the formation of the Library's overseas offices and Cooperative Acquisitions Programs. The overseas offices were created due to the ineffectiveness of conventional international commercial methods in acquiring books and other research materials from less-developed countries. Because of the lack of established publishing industries or international vendors, poor book distribution systems, and the political and economic instability of the nations of the developing world, a local presence is the only effective way to acquire the needed primary source materials.

In 1962, the Library opened the New Delhi Office, and by 1964 had opened offices in Karachi, Pakistan; Dacca, Pakistan (now Bangladesh); Cairo, Egypt; Tel Aviv, Israel; and Jakarta, Indonesia. In 1965, Congress expanded the Library's overseas offices through Public Law 89-329, the Higher Education Act of 1965, Title II-C, known as the National Program for Acquisitions and Cataloging (NPAC).

Between 1962 and 1986 twenty-three overseas offices were funded for operations; all but six were closed when no longer needed. Since 1987, the Library has operated six overseas offices—in New Delhi, India; Cairo, Egypt; Rio de Janeiro, Brazil; Jakarta, Indonesia; Nairobi, Kenya; and Islamabad, Pakistan.

These six overseas offices are responsible for acquiring materials for the Library of Congress collections and, on a cost recovery basis, for the participants in the Cooperative Acquisitions Program. The offices are under the administrative control of the Library's African/Asian Acquisitions and Overseas Operations Division.

YEAR 2000 (Y2K) PLANS

Certain critical automated systems used in the Library's six overseas offices are not certified as Y2K compliant. However, a new system (Integrated Field Office System) is currently undergoing final testing and is being implemented in the Cairo Office. The new system will be implemented in all six overseas offices before the close of the calendar year. Approved contingency plans are on record, in the event that any unexpected delays occur.

OVERVIEW OF FINANCIAL STATEMENTS

Fiscal year 1998 is the first year of operation for the Cooperative Acquisitions Program Revolving Fund (CAPRF). Section 207 of the Legislative Branch Appropriations for fiscal year 1998 (P.L. 105-55) established the CAPRF from the existing balances in the gift fund program, and mandated that the Library submit an annual audited financial statement for the revolving fund. The CAPRF is authorized to acquire foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. In accordance with Federal accounting standards, the Library has prepared a Balance Sheet, Statement of Net Costs, Statement of Changes in Net Position, and a Statement of Budgetary Resources for the CAPRF.

Balance Sheet

The purpose of the balance sheet is to provide financial statement users with information about the CAPRF's assets, liabilities, and net position as of September 30, 1998. The CAPRF's Net Position consists of the funds approved in Public Law 105-55 to initially capitalize the fund and the net results of operations for fiscal year 1998.

Assets		Liabilities and Net Position	
Intragovernmental	\$ 2,896,486	Intragovernmental Liabilities	\$ 165,777
		Other Liabilities	1,368,985
Other	105,875	Net Position	1,467,599
Total Assets	\$ 3,002,361	Total Liabilities and Net Position	\$ 3,002,361

The CAPRF's assets total just over three million dollars, with the Fund Balance with the Department of the Treasury (\$2.8 million) as the major item. The CAPRF's other liabilities total \$1.3 million, which primary consists of the advances received from the program participants (\$1.1 million that would be refunded to participants upon termination in the program and \$86,323 that would not be refunded upon termination in the program).

Statement of Net Costs

The purpose of the Statement of Net Costs is to provide financial statement users with information about the costs and earned revenues for the CAPRF for the fiscal year ended September 30, 1998. In other words, the statement presents the net costs of the program -- \$24,468. As cited in Public Law 105-55, the CAPRF recovers its full costs over a reasonable period of time. This net costs of \$24,468 represents normal timing differences between the earning of revenue and the incurrence of costs.

Statement of Changes in Net Position

The purpose of the Statement of Changes in Net Position is to provide financial statement users with information about the CAPRF's financing sources and the components of the changes in net position. The CAPRF's financing sources totaled \$1,492,067 for the year ended September 30, 1998. This amount primarily consists of the start-up capital that was authorized in Public Law 105-55 (\$1,384,163) but also includes an imputed financing source (\$107,904), which represents overhead costs of the Library for the Cooperative Acquisitions Program that was not funded by the CAPRF. This disparity is caused by the Library's usage of differing allocation methods for financial statements and cost recovery. The CAPRF's net position is \$1,467,599 as of September

30, 1998. This amount results from the financing sources (\$1,492,067) being netted against the net costs of the program (\$24,468).

Statement of Budgetary Resources

The Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally the Outlays section presents the total outlays of the Library and reconciles obligations incurred to total outlays.

The CAPRF's budgetary resources were \$4.1 million, of which approximately one-third (\$1.4 million) was the start-up capital and the other two thirds (\$2.7 million) was obtained from the participants in fiscal 1998. Total outlays of \$1.5 million was a result of incoming amount from participants (\$2.7 million) exceeding the outlay of funds for the programs activities (\$1.2 million).

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Cooperative Acquisitions Program Revolving Fund's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Cooperative Acquisitions Program Revolving Fund, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Financial Statements. While the statements have been prepared from the books and records of the Library of Congress, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that obligations and subsequent liabilities cannot be incurred without legislation that provides authority to do so.

THE COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Balance Sheet

As of September 30, 1998

ASSETS

Entity Assets:

Intragovernmental Assets

Fund Balance with Treasury (Note 2) \$ 2,814,982

Accounts Receivable, Net (Note 3) 81,504

Accounts Receivable, Net (Note 3) 47,043

Cash and Other Monetary Assets (Note 4) 47,297

Inventory and Related Property, Net (Note 5) 11,535

Total Assets \$ 3,002,361

LIABILITIES

Intragovernmental liabilities

Accounts Payable (Note 7) \$ 165,777

Advances from Others (Note 8) 1,139,534

Accounts Payable (Note 7) 143,128

Other Liabilities (Note 9) 86,323

Total Liabilities \$ 1,534,762

NET POSITION

Cumulative Results of Operations 1,467,599

Total Liabilities and Net Position \$ 3,002,361

The accompanying notes are an integral part of these financial statements.

THE COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Statement of Net Costs

For the Year Ended September 30, 1998

Net Costs by Program Area:

Cooperative Acquisitions Program:

Program Costs	\$ 1,535,996
Less Earned Revenue	<u>1,511,528</u>
Net Costs of Operations	<u><u>\$ 24,468</u></u>

The accompanying notes are an integral part of these financial statements.

THE COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Statement of Changes in Net Position

For the Year Ended September 30, 1998

Net Costs of Operations		\$ 24,468
Financing Sources (Other than Exchange Revenue)		
Imputed Financing	\$ 107,904	
Start -up Capital	<u>1,384,163</u>	
Total Financing Sources		<u>1,492,067</u>
Change in Net Position		1,467,599
Net Position, Beginning		<u>0</u>
Net Position, Ending		<u>\$ 1,467,599</u>

The accompanying notes are an integral part of these financial statements.

THE COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Statement of Budgetary Resources

For the Year Ended September 30, 1998

Budgetary Resources

Budget authority	\$ 1,384,162
Spending authority from offsetting collections	<u>2,709,059</u>

Total Budgetary Resources \$ 4,093,221

Status of Budgetary Resources

Obligations incurred, new	\$ 1,815,614
Unobligated balance - available	<u>2,277,607</u>

Total, Status of Budgetary Resources \$ 4,093,221

Outlays

Obligations incurred, new	\$ 1,815,614
Less: spending authority from offsetting collections and adjustments	<u>2,709,059</u>
Subtotal	(893,445)
Less: obligated balance, net - end of period	<u>583,332</u>

Total Outlays, Net \$ (1,476,777)

The accompanying notes are an integral part of these financial statements.

The Cooperative Acquisitions Program Revolving Fund
Notes to the Financial Statements
For the Year Ended September 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Cooperative Acquisitions Program Revolving Fund (CAPRF) was authorized by Public Law 105-55 on October 7, 1997. The Library of Congress (the Library) operates the CAPRF on a cost-recovery basis to acquire foreign publications and research materials for participating institutions. The operations of the CAPRF are managed by the African/Asian Acquisitions and Overseas Operations Division (AfA/OVOP). Fees charged to the participants are set and approved by the Library to recover the full direct and indirect costs of the program incurred by the Library over a reasonable period of time.

The institutions that participate in the program constitute more than 80 academic libraries. The program is managed by six overseas field offices: Jakarta (Indonesia), Nairobi (Kenya), Cairo (Egypt), Rio De Janeiro (Brazil), New Delhi (India), and Islamabad (Pakistan).

B. Basis of Presentation

The accompanying financial statements and schedules report the financial position, operations, changes in net position, and the budgetary resources of the CAPRF for fiscal year 1998. These statements and schedules include amounts of all funds designated by law and managed for the purpose of the CAPRF. The statements were prepared from the Library's financial management system in accordance with the form and content for entity financial statements specified by the Library's financial management regulations and directives and the accounting policies summarized in this note.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the new standards now being developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510) which adopts the executive branch reporting requirements in a manner consistent with a legislative agency.

C. Basis of Accounting

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds.

Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of considering and recommending accounting principles, standards, and requirements to GAO, Treasury, and OMB. FASAB has issued and the three sponsoring organizations have approved a comprehensive set of accounting standards, which cover most transactions. The accompanying financial statements are prepared in accordance with these standards. However, transactions that are not addressed by these standards may still be incurred and the following hierarchy shall be viewed as the source of providing generally accounting principles:

- Individual FASAB standards agreed to by the Controller General, the Director of OMB, and the Secretary of the Treasury, and published by OMB and the General Accounting Office;
- Interpretations related to the FASAB standards issued by FASAB and Technical Releases issued by the FASAB's Accounting and Auditing Policy Committee;
- Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements;
- Library of Congress Regulations and Financial Services Directives; and
- Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first four parts of this hierarchy and (2) if the use of such accounting standards improve meaningfulness of the financial statements.

D. Financing

The CAPRF is credited with advances and amounts received as payment for purchases under the program and services and supplies furnished to program participants. For accounting and reporting purposes, AfA/OVOP management has segmented the Cooperative Acquisitions Program into six field offices.

E. Use of Estimates in Preparing Financial Statements

The preparation of financial statements, in conformity with Federal accounting standards, requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expense during the reporting period. Actual results may differ from these estimates.

Note 2. Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents CAPRF's obligated and unobligated balances which are as follows:

Obligated	\$ 583,332
Unobligated	<u>2,231,650</u>
Fund Balance with Treasury	<u>\$2,814,982</u>

Note 3. Accounts Receivable, Net

Intragovernmental accounts receivable represent amounts due from the appropriated fund for amounts originally charged against the CAPRF. Net and gross amounts are equal because no bad debt expense is expected.

Entity non-governmental accounts receivable represent amounts due from participants (primarily due to timing differences) and estimated amounts accrued for expenditure refund activity, net of expenditure activity, that was processed by the field offices but was not received or processed by the Department of State or the Library's Financial Services Directorate as of September 30, 1998. Net and gross amounts are equal because no bad debt expense is expected.

Note 4. Cash and Other Monetary Assets

Cash represents CAPRF cash on hand that was not deposited with the United States Treasury as of September 30, 1998.

Note 5. Inventory and Related Property

The CAPRF inventories are primarily comprised of postage that will be consumed in future operations.

Note 6. General Property, Plant and Equipment, Net

The CAPRF capitalizes furniture and equipment if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives and salvage value of zero.

The CAPRF currently has no property and equipment on its balance sheet because property and equipment in the field offices has been associated with activities funded with appropriated funds. No purchases of property and equipment meeting the \$25,000 capitalization threshold and specific to the CAPRF were made in fiscal year 1998. The CAPRF does not maintain library collections.

Note 7. Accounts Payable

Intragovernmental accounts payable represent accrued payments to the U.S. Air Force for military postal service postage. Non-governmental accounts payable represent accrued amounts to be paid for the expenses of operating the program, such as payments to vendors for materials and services.

Note 8. Advances from Others

This unearned revenue account represents current liabilities for funds collected in advance from the program participants. These collections are for direct expenses, such as the cost of materials acquired on the participants' behalf. These funds are available for obligation upon receipt of the advance. The advances are accompanied by an order profile from the participating institution. If a program participant cancels an order, these amounts are either applied to subsequent orders or are refunded.

Note 9. Other Liabilities

Other liabilities consist of funds collected in advance from the program participants and unearned for indirect expenses (overhead) associated with the administration of the program. The unearned funds are available for obligation upon receipt of the advance. The advances are accompanied by an order profile from the participating institution. If a program participant cancels an order, these amounts are immediately recognized as revenue and are not refunded.

Note 10. Intra-governmental Activities

The financial activities of the CAPRF interact with and depend on the services of the U.S. Air Force (for military postal service postage) and the Department of State for administrative support. The Department of State's International Cooperative Administrative Support Services (ICASS) system is used to allocate costs to the Library's six overseas field offices.

Note 11. Earned Revenues

Revenues are recognized as earned based on (1) actual expenses incurred for materials, binding, and shipping; and (2) CAPRF overhead applied according to the overhead rate applicable for each field office. The CAPRF overhead rates are updated each year according to an overhead model consistent with the concept of full cost described in SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government." The driver for the CAPRF overhead rates is the direct cost of materials.

Note 12. Library Overhead Costs Included in Program Costs and Imputed Financing Sources

Certain Library overhead costs were included in the program costs for each field office. In compiling the CAPRF's fiscal year 1998 financial statements, the Library allocated Library-wide overhead costs to the CAPRF using the direct method of allocating service department costs. The four types of Library-wide overhead costs are costs associated with the Financial Services Directorate, Information Technology Services, Integrated Support Services, and Office of the Librarian/Human Resources Directorate. These overhead costs were further allocated to the six field offices of the CAPRF using various cost drivers. The total amount of overhead allocated over the six field offices was \$145,152. Of this amount, \$37,248 was charged to the field offices through the Library's administrative working funds. A corresponding imputed financing source for \$107,904 was recognized for the unreimbursed portion of the allocated Library overhead.

Note 13. Budgetary Resources Obligated for Undelivered Orders at September 30, 1998

Budgetary resources obligated for undelivered orders at September 30, 1998, for each of the six field offices are as follows:

Jakarta, Indonesia	\$ 11,383
Nairobi, Kenya	55,544
Cairo, Egypt	28,180
Rio de Janeiro, Brazil	22,240
New Delhi, India	189,732
Islamabad, Pakistan	68,910
Total	<u>\$375,989</u>

Note 14. Total Cost and Earned Revenue by Budget Functional Classification

A. Total Cost by Functional Classification

<u>Function Classification</u>	<u>Amount</u>
Education, Training, Employment and Social Services	<u>\$1,535,996</u>

B. Total Earned Revenue by Budget Functional Classification

<u>Function Classification</u>	<u>Amount</u>
Education, Training, Employment and Social Services	<u>\$1,511,528</u>

Note 15. Schedule of Financing

Resources that Fund Net Cost Of Operations:	
Budgetary:	
Obligations incurred, new	\$1,815,614
Less: spending authority from receipts and adjustments	2,709,059
Net budgetary resources used to finance activities	(893,445)
Financing imputed for cost subsidies	107,904
Total Resources used to fund net cost of operations	(\$785,541)
Resources Used But Not part of Net Cost of Operations:	
Decrease in budgetary resources obligated to order goods and services not yet received or benefits not yet provided	(\$375,989)
Decrease in revenue collected in advance as offsetting collection	1,197,533
Costs capitalized on the balance sheet	(11,535)
Total resources used not part of the net cost of operations	810,009
Net Cost of Operations	\$24,468

COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Supplemental Schedule of Program Costs

For the Year Ended September 30, 1998

Net Costs (Production Costs) by Program Area:	Program Segment Field Office Totals
Jakarta, Indonesia:	
Intragovernmental	\$ 43,441
Public	321,126
Total Program Costs	<u>364,567</u>
Nairobi, Kenya:	
Intragovernmental	25,339
Public	96,713
Total Program Costs	<u>122,052</u>
Cairo, Egypt:	
Intragovernmental	7,474
Public	272,644
Total Program Costs	<u>280,118</u>
Rio de Janeiro, Brazil:	
Intragovernmental	76,650
Public	62,482
Total Program Costs	<u>139,132</u>
New Delhi, India:	
Intragovernmental	26,558
Public	364,739
Total Program Costs	<u>391,297</u>
Islamabad, Pakistan:	
Intragovernmental	45,987
Public	192,843
Total Program Costs	<u>238,830</u>
Totals:	
Intragovernmental	225,449
Public	1,310,547
Total Program Costs	<u>\$ 1,535,996</u>

The accompanying notes are an integral part of these statements.

**The Cooperative Acquisitions Program Revolving Fund
Supplemental Schedule of Participants by State
For the Year Ended September 30, 1998**

Arizona

Arizona State University
University of Arizona

California

Hoover Institute
Ligmincha Institute
Los Angeles Public Library
Stanford University
Tibetan Language Institute
U.C., Berkeley
U.C., Los Angeles
U.C., San Diego
U.C., Santa Barbara
U.C., Santa Cruz
University of Southern California

Connecticut

Yale University

District of Columbia

Department of the Treasury
Georgetown University
Johns Hopkins University

Florida

Sky Dancer Press
University of Florida

Georgia

Emory University
University of Georgia

Hawaii

University of Hawaii

Illinois

Center for Research Libraries
Northern Illinois University
Northwestern University
University of Chicago
University of Illinois

Indiana

Earlham College
Indiana University
University of Notre Dame

Iowa

University of Iowa

Kansas

University of Kansas

Louisiana

Tulane University

Maryland

National Agricultural Library
National Library of Medicine
University of Maryland

Massachusetts

Boston Public Library
Boston University
Harvard University

Michigan

Detroit Public Library
Michigan State University
University of Michigan

Minnesota

University of Minnesota

Missouri

St. Louis University
Washington University

New Jersey

Princeton University

New Mexico

University of New Mexico

New York

Columbia University
Cornell University
Institute for Advanced Studies of World Religions
New York Public Library
New York University
Open Society Institute
St. Lawrence University
Skidmore University
SUNY, Binghamton
SUNY, Purchase
Syracuse University

North Carolina

Duke University
North Carolina State University
University of North Carolina

Ohio

Cleveland Public Library
Ohio State University
Ohio University

Oregon

Portland State University
University of Oregon

Pennsylvania

La Roche College
Pennsylvania State University
Temple University
University of Pennsylvania
University of Pittsburgh

Rhode Island

Brown University

Tennessee

University of Tennessee
Vanderbilt University

Texas

University of Texas

Utah

Brigham Young University
University of Utah

Virginia

University of Virginia

Washington

University of Washington
Western Washington University

Wisconsin

University of Wisconsin

Non-U.S. Libraries**Canada**

McGill University (Québec)
University of British Columbia
University of Toronto (Ontario)

Other Foreign Libraries

American University, Cairo (Egypt)
Arab League (Egypt)
Ibero-Amerikanisches Institut (Germany)
Institute for Southeast Asian Studies
(Singapore)
Institute of Commonwealth Studies
(U.K.)
National Diet Library (Japan)
National Library of Australia
State Library of South Africa
United Arab Emirates University
(U.A.E.)
University of Essex (U.K.)
University of Glasgow (U.K.)